

INDUSTRY UPDATE

Biweekly Period Ending January 1, 2000

Phoenix Metro Area

Finance, Insurance, and Real Estate

The **city of Phoenix** had reason to celebrate December 29th. No, it wasn't an early observance of the year 2000. Rather, it was to cheer the news that San Antonio-based insurer **USAA** successfully bid on 500 acres of state land near Interstate 17 and Happy Valley Road for a **regional office/customer-service operation**. Within 10 years, the USAA campus **could be home to up to 15,000 employees**. One of the nation's largest insurers, USAA has been seeking a place to expand its multi-billion-dollar business that sells all forms of insurance to current and former members of the military and their families. USAA will first **build a temporary facility** to house **500 to 600 employees** by the **end of 2001**. Then, work on the first permanent buildings will begin, with an estimated opening of late 2002.

Manufacturing

The city of Chandler also may have something to celebrate — for a second time. **Intel Corp.** has filed **preliminary plans** to expand by 50 percent a computer-chip facility on its 700-acre Ocotillo campus in south Chandler. As currently planned, the **expansion, which has not been given the final go-ahead by Intel**, would **add about 1,000 new workers** to the site's current workforce of about 2,000. But the cost of expanding the plant would be about the same (\$1.3 billion) as the existing facility completed a few years ago. Intel currently employs about 8,000 at various plants in Chandler. The Chandler Planning and Zoning Commission will hold a hearing in early February, with a vote on the plans by the Chandler City Council likely coming later in the month.

Construction

After growing at a break-neck pace the past five years, **development activity in the Valley is expected to level off** over the next two to three years, according to an article in the *East Valley Tribune*. However, **several positive and negative scenarios might alter that prediction**. For example, if the \$1.3 billion Intel expansion project (see above) comes to fruition, expect a significant rise in commercial and residential construction based on the effects of a similar Intel project between 1993 and '96. Also, projects like the USAA customer-service operation (see above) and current U.S. migration trends may forestall a leveling off of the strong Valley population growth (6th fastest metro area between 1990 and '98). Two downside possibilities: raising of interest rates by the Federal Reserve to head off inflation from an overheated economy; or passage of a growth-management initiative in November 2000, which would lead to a cutback in projects, say some industry leaders.

Transportation, Communications, and Public Utilities

Mayan Networks, which recently opened an office in **north Phoenix** (I-17 and Bell Road), expects to **hire 100 telecommunications engineers and programmers in 2000**. The Silicon Valley-based company makes a product to retrofit existing telephone voice networks to handle the transfer of data from fiber-optic networks. Mayan claims its product, due out in the first quarter of 2000, is more efficient than existing ones on the market.

Services

Due to financial problems, Scottsdale-based **Tesseract Group Inc.**, which operates 33

private and charter schools throughout the United States (including several in Arizona), **laid off 10 of its corporate staff** in late December. In addition, expansion plans for Florida and Ohio have been delayed at least until 2001. The company, which reported a loss of \$10.7 million for the year ending June 30, is now in process of trying to raise capital. Arizona has about 45,000 students in charter schools.

Trade

Obviously much smaller in size than USAA (see above), but another San Antonio-based business hopes to make its mark in the Valley. Mexican food chain **Taco Cabana** said it will **build six Phoenix-area locations in 2000** (with the first opening in March) and **three more in 2001**. The 24-hour sit-down/take-out restaurant tries to fill the niche between a fast-food and full-service restaurant.

Balance of State

Trade

Wal-Mart will open a 219,000-square-foot “**superstore**” in **Bullhead City** (Highway 95 and Mohave) in late January. Information on the exact number of jobs that will be created by the combination department/grocery store was not available.

Transportation, Communications, and Public Utilities

Electric deregulation could generate another natural gas-fired power plant — about the 10th announced or under construction in Arizona — and with it some related businesses that combined could **provide** the Mohave County community of **Wikieup with up to 150 jobs**. Energy company **Caithness** is seeking approval to have 240 acres of farmland rezoned to build a **500- to 600-megawatt combined-cycle power plant**, expected to **create about 25 permanent jobs** when it **begins operation in June 2002**. Excess water from the power facility could also be used for a proposed nearby cat-

fish farm and hydroponic orchards (pecans, peaches) and gardens (tomatoes, cucumbers).

Construction

The **Prescott Valley Town Council** approved rezoning, development, and water-use agreements for a **3,400-single-family home subdivision** in late December. The vote sets into motion plans to begin work on the 1,243-acre **Glassford Hill** community in the **second quarter of 2000**. Universal Homes recently took over the project from Del Web, which began planning the subdivision three years ago. A final vote of approval by the town council is expected in January.

“The town too tough to die” may be getting a “life insurance policy” of sorts. In early February, the Cochise County Planning and Zoning Commission will vote on a planned **1,700-acre resort and residential development northeast of Tombstone called Bachmann Springs**. If approved by the commission and subsequently the Cochise County Board of Supervisors, the master-planned community and golf course may bring more tourists to the famous western town, as well as create a variety of infrastructure jobs (e.g., firefighters, police, retail trade). The resort is pegged to open in 2002.

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